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As Prepared for Delivery

- The United States considers its future – particularly its economic future – to be closely intertwined with the Pacific. The Philippines knows well, perhaps better than any other nation in the region, the intensity of U.S. interests in the Asia-Pacific region. My own family history is wrapped up in U.S. involvement in the Philippines in the 20th Century, as well as the war with Japan.
- We see the United States as an Asia-Pacific nation – an integral member of the regional community, not an outsider. It is a view shared today by President Obama, who was born and raised in the Pacific region, by Secretary Clinton, and by the U.S. government as a whole.
- Today I would like to talk specifically about U.S. economic policy in that Asia-Pacific, and the opportunities that it presents to the Philippines.

The United States in the Asia-Pacific Economy

- We fully recognize the importance of the Asia-Pacific region to our country's economic future. And we are committed to making sure that the United States is an active, engaged, and constructive partner.
- The reason is clear – the Asia-Pacific region is the most economically dynamic in world. The members of the Asia-Pacific Economic Cooperation (APEC) account for 54% of World GDP, 44% of Global Trade, and 40% of the world's population (2.7 billion consumers).
- Its rebounding growth has been vital to global recovery. The Asian Development Bank (ADB) predicts East Asian emerging economies will grow 8% this year. In addition, the IMF forecasts that the region's economies will grow faster than the world average through at least 2014.
- Furthermore, sixty percent of U.S. goods exports currently go to APEC members. Seven of our top fifteen trade partners are in APEC.
- It is no wonder, then, that the United States aims to advance our economic relations with the fastest-growing economies in the world. Asia is critical to the President's National Export Initiative and its goal of doubling U.S exports over the next five years in order to create new American jobs. Strengthening our engagement means tying ourselves much more closely to the economies of the region.

- There are some who believe that the United States is disengaged from Asia and that an American economic strategy for the region is absent. These are myths, and it is my goal today to dispel them by laying out our approach -- one that emphasizes flexibility, pragmatism, and need to achieve real results and higher standards.
- U.S. strategy for the Asia-Pacific is premised on helping to build a platform for regional economic activity that is:
 1. **OPEN:** Allowing for participation from around the world;
 2. **FREE:** There are as few barriers to trade and investment as possible;
 3. **TRANSPARENT:** There are easy and clear rules for doing business; and
 4. **FAIR:** So that no one set of players has an advantage over another.
- The U.S. approach recognizes the increasing importance of non-tariff issues such as regulatory systems, trade facilitation and supply chain connectivity in an attempt to make economic activity as smooth as possible, and hasten the economic integration of the region. We call these “next-generation” trade and investment issues, reflecting how the global economy is changing.
- We also recognize that after the recent financial crisis, the world cannot go back to the old “growth as usual”. So we are committed to working with the region to forge a 21st century economic agenda that seeks to attain higher quality of economic growth – not just higher rates of growth – and would foster greater public support for further trade and investment.

Tools of Engagement

- To pursue our strategy, the United States turns to three mutually reinforcing tools:
 - **FTAs** – including the U.S.-Korea FTA and the Trans-Pacific Partnership (TPP)
 - **Regional multilateral organizations** – particularly APEC, which the United States will be hosting in 2011, as well as our partnership with regional groupings like ASEAN.
 - **Bilateral dialogues/partnerships** with individual countries throughout the region.

Free Trade Agreements

- The accelerating process of regional economic integration is reflected most visibly in the proliferation of free trade agreements among Asia-Pacific economies. According to the ADB, there were only 3 FTAs in East Asia in 2000. In May 2010, there were 45 FTAs in effect and another 84 in various stages of preparation or development.
- The administration recognizes that if the United States is left out this integration process, we would be put at a major disadvantage in tapping into fast-growing Asian markets. This would have detrimental effects on the U.S. economy and the ability of U.S. exporters to create jobs and reduce the trade deficit.

- Our FTA efforts in the Asia-Pacific region are currently focused on two fronts:

Korea-US FTA (KORUS)

- First, the administration is working to achieve successful implementation of the U.S.-Korea FTA (KORUS).
- USTR has been instructed by President Obama to work with Korea to resolve the outstanding issues related to KORUS, and is now engaged in an intensive consultations process with Congress and other stakeholders.
- With the resolution of these issues, President Obama intends to submit KORUS to Congress for approval in the months following his November meeting with President Lee.
- Successful implementation of the KORUS FTA will strengthen our commercial ties with a \$1 trillion economy that is our 7th largest trading partner.
- As the first U.S. FTA with a Northeast Asian partner, the KORUS FTA could also serve as a model for trade agreements for the rest of the region.

Trans-Pacific Partnership (TPP)

- Second, the United States is working with partner economies to make progress on the Trans-Pacific Partnership (TPP) negotiations.
- The TPP is an ambitious undertaking, both linking existing FTAs as well as raising the overall level of economic integration achieved through the content of the agreement, above what has been previously achieved. The talks currently include the United States, Australia, Brunei, Chile, New Zealand, Peru, Singapore, and Vietnam.
- The ultimate goal is to grow TPP into a high-standard, broad-based regional trade agreement – one that also addresses next generation trade and investment issues.
- A 21st century trade agreement – like the one we hope to achieve with TPP – would address “behind the border” issues like regulatory systems, trade facilitation and supply chain connectivity. It would also create more opportunities for small- and medium-sized companies, prioritize labor and environmental protections, fosters development, and promote new technologies and emerging economic sectors.
- Our hope is that the TPP can become a platform through which we can reach out to other economies as well, in the future.
- Successful efforts on both the KORUS FTA and the TPP would signal to other Asia-Pacific nations our abiding presence in the region as a vital partner in its prosperity and peace.

Regional Multilateral Engagement – APEC

- Regional economic integration is not merely about FTAs. Our engagement in multilateral economic institutions in the region also plays a critical role in addressing economic challenges and removing barriers to trade and investment.
- There are several regional groupings that deal with economic issues, including APEC, ASEAN, and the East Asia Summit.

APEC

- The United States sees APEC as the key regional forum for regional economic cooperation. This is because:
 - Its activities help to create an environment that fosters growth and addresses trade and investment barriers. This includes fostering norms and standards for a level playing field.
 - APEC also creates building blocks to high-quality, 21st-Century trade agreements and works to enhance the ability of economies to undertake such agreements.
- There are three key characteristics of APEC that we find particularly valuable:
 - Membership is like-minded, to a degree: Despite differences in individual economic policies, there is a general consensus that markets, trade and investment are vital to prosperity.
 - Experimental: Many dismiss APEC as non-binding. But this provides environment for experimentation and cooperation that otherwise wouldn't happen.
 - Practical: The APEC is not just the annual Leaders summit. The APEC approach includes a working-level process for functional cooperation, which seeks to translate statements into progress and tackle issues practically. This work is reinforced by an expanding emphasis on capacity building, so economies are capable of taking on reform and meeting commitments.
- APEC's efforts have had an impact at global multilateral level. It played a key role in realizing the WTO Information Technology Agreement. Less noticed has been its influence on work in sectors like chemicals, medical products, environmental goods and services.
- APEC has also been front and center in addressing pressing economic challenges and the next generation trade and investment issues I mentioned earlier. These efforts focus on key non-tariff issues like standards, regulatory cooperation, trade facilitation, small business development, and digital trade. They serve to define for the region what a high-standard, broad-based agreement should look like.

- The Trans-Pacific Partnership provides an example of how the building blocks created by APEC inform and influence regional trade initiatives. All TPP partners are in APEC.
- TPP negotiators have referenced APEC's work to inform their efforts on how to make the TPP a high-quality agreement that reflects the economic demands of the 21st century.
- Indeed, the TPP is seen as a promising model for APEC's long-term vision of a Free Trade Area of the Asia-Pacific (FTAAP).
- We are also working within APEC to set a 21st century agenda for the region that focuses on attaining higher quality of economic growth. To this end, APEC is working to define a regional approach to growth that is:
 - 1) **Balanced** within and across APEC;
 - 2) **Inclusive** of all members of society, and helps them to gain better access to economic opportunities and weather economic shocks;
 - 3) **Sustainable** environmentally;
 - 4) Supports **innovative and knowledge-based** economies; and
 - 5) **Secure** against various threats, such as natural disasters, terrorism, and pandemic disease.
- APEC is already pursuing a wide range of initiatives to advance this vision for quality growth in such areas as human resource development, women's entrepreneurship, agriculture and food security, information and communications technology, cooperation on energy and green growth, and improving emergency preparedness in the region.
- These important contributions to regional economic growth and cooperation underscore why the United States values APEC so highly and is hosting APEC in 2011.
- From domestic U.S. perspective, we see APEC 2011 as an opportunity to help connect communities across America with growing markets, stable economic partnerships and job-creating business opportunities in the Asia-Pacific. We also see it as an important opportunity to underscore to the American people the importance of integrating deeper into the global economy, in order ensure our long-term prosperity.

ASEAN

- The United States is also actively ramping up its engagement with ASEAN through the U.S.-ASEAN Enhanced Partnership. On the economic front, we are focusing on building U.S.-ASEAN trade and investment ties, and on promoting trade facilitation. We have dialogues on trade finance, trade and environment, and public-private cooperation.
- This year, we also founded a U.S. Mission to the organization. The Mission will actively work with ASEAN's Economic Community, whose primary goal is to achieve regional economic integration across all ASEAN Member States by 2015. To this end, we are

working with ASEAN officials, USAID and other U.S. government agencies on projects to provide training and technical assistance for ASEAN's community building efforts.

- We appreciate the efforts of the Philippines as the Country Coordinator for the US-ASEAN Dialogue.
- I expect you will all see more evidence of intensified U.S.-ASEAN economic relations emerging from the U.S.-ASEAN leaders meeting that will take place one week from today in New York.
- We are very excited to be hosting President Aquino for that event, and we have high expectations for the results that will be reached there.

Bilateral Dialogues and Partnerships

Furthermore, we are engaging in various bilateral dialogues and partnerships as part of our regional economic strategy. For example:

Japan

- As APEC hosts in 2010 and 2011, Japan and the United States have been working closely together to coordinate our host year agendas. We envision a “one-two punch” where achievements in Japan's year set the stage for deliverables in the U.S. year. Together, our efforts will help shape a 21st century economic agenda for APEC and the region.
- We are also looking to re-establish a bilateral cooperative framework with Japan's new government, building on the various in-depth methods that we have used to discuss both sectoral trade issues and structural economic issues over the last three decades.

Indonesia

- We have been working with Indonesia to advance the Comprehensive Partnership that was launched in 2009.
- On the economic front, we have signed agreements for Science and Technology Cooperation and the Overseas Private Investment Corporation, which will underpin deepened engagement by our two countries in two of the most dynamic sectors of our relationship.
- The U.S. Ex-Im Bank also recently announced the establishment of a \$1 billion credit facility in partnership with 11 Indonesian banks to facilitate bilateral trade.
- The U.S. and Indonesia are also cooperating on energy, environment, and climate change issues. This includes the \$119 million we have dedicated to the SOLUSI partnership, which represents the major areas of Environment and Climate engagement—Science, Oceans, Land Use, Society and Innovation -- and means “Solution” in Indonesian. It also includes our assistance to Indonesia for establishing its Climate Change Center.

China

- And of course, no discussion about U.S. economic engagement with Asia would be complete without talking about our bilateral relationship with China.
- We are committed to the Strategic & Economic Dialogue (S&ED), and to engaging China on macroeconomic coordination, trade policy, domestic policies, and a host of other bilateral issues.
- We think that China will increasingly welcome efforts to address 21st Century trade and economic issues. As China continues to grow rapidly, and its economy becomes more complex, diversified and knowledge-based, it will find itself increasingly an exporter of capital and ideas as well as products.
- A more perfect platform for Regional Economic Integration and closer ties among all the economies of the Pacific will be as much to China's benefit as it would the United States. An Asia-Pacific regional economy that is open, free, transparent and fair will also improve U.S.-China bilateral economic relations, as we continue to adjust to rapidly changing roles for our respective economies.

Opportunities for the Philippines

- The Philippines has tremendous economic strengths and enormous growth potential, which excites foreign partners, including the United States.
 - Your young, English-speaking and eminently "trainable" workforce and high degree of international cultural affinity and awareness makes Filipinos into successful overseas workers, but it also provides strengths that attract foreign investors in both manufacturing and services.
 - The Philippines is well-located at the crossroads of Asian trade routes, providing proximity to markets.
 - The Philippines' telecom infrastructure is comparatively good, the legacy of past deregulation and privatization and a competitive market.
- But there are problems that seem to continue to hold back full realization of the Philippines' potential for leveraging foreign trade and investment to accelerate growth and build more prosperity for its citizens.
- Broadly, the main barriers to trade and investment, as identified by foreign investors and foreign chambers of commerce, include:

- Specific restrictions/limits on foreign investment, which vary by sector. Some restrictions are by law, and others are actually part of the Philippine Constitution. In infrastructure, for example, where the new government is specifically trying to attract foreign investment, there's a 40% cap on foreign participation in many areas. The restrictions on foreign investment are also an impediment to the ASEAN common market, which has a 2015 target.
 - Foreign nationals are restricted from owning land.
 - Corruption and lack of transparency continue to be important problems, as are government bureaucracy and red tape, such as lengthy approval processes and the long time it takes to start a business. Regulatory actions and enforcement remain inconsistent, and are sometimes subject to political interference. The Philippines scores poorly on various competitiveness indices, for example 144 out of 183 in the World Bank Doing Business list, and 129 of 179 in the Heritage Economic Freedom list.
 - Infrastructure needs to be improved, including airports, ports, roads, and more stable power supplies throughout the country. This in turn relates back to other factors, since investment limits, the length of time for approval of projects, and the lack of transparency in bidding make it harder to bring foreign private capital to the task of improving infrastructure.
- The Philippines is not involved in the TPP talks yet, but I have heard that some in Manila would like to see it do so. That is certainly an interesting idea that we should explore together for the future, even as the current group of TPP partners proceed with negotiations.
 - As an immediate step, we should energize and revitalize the Trade and Investment Framework Agreement between our countries, to make sure that it is actively addressing the most important issues in an efficient, effective and results-oriented manner.
 - As a friend of the Philippines, we in Washington believe Manila's economic policy voice in the region should be more influential, and you should be more confident and aggressive toward the outside world. The Asia-Pacific region is evolving and moving rapidly on the trade policy front, and the Philippines should try to catch the wave.
 - I believe the United States could help you achieve that objective. Today, would like to issue a call for more intense engagement and cooperation between the U.S. and the Philippines on economic policy and practical trade and investment cooperation.
 - It is indeed wonderful that President Aquino and Secretary Clinton will sign a milestone Millennium Challenge agreement in the United States next week, allowing for an important expansion in development assistance. But looking to the future, our economic ties will be shaped most importantly by private sector trade and investment, and we need to help that expand.

Conclusion

- In conclusion, the United States is actively engaged in the Asia-Pacific, and has a clear economic vision and strategy for the region. At the same time, we understand that countries need to see tangibles from us. That's why KORUS and TPP are being watched closely. And it is why our work in APEC, with ASEAN, and our bilateral dialogues are so important.
- The Asia-Pacific region represents the future of the global economy, but the contours of that future have yet to be fully defined.
- The United States and our regional partners have an important opportunity to chart a course for long-term prosperity and security. The United States is firmly committed to working with fellow nations in the Asia-Pacific to fully realize our shared economic potential.
- We want to do more with the Philippines in this regard. We would like the Philippines to be an integral part of how the United States works with the Asia-Pacific on trade and investment, in order to realize sustained economic growth and development.